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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
Case No. 05-44481

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In the Matter of:

DELPHI CORPORATION,

Debtor.

- - - - -x

United States Bankruptcy Court
One Bowling Green
New York, New York

August 29, 2007
10:05 AM

B E F O R E:

HON. ROBERT D. DRAIN
U.S. BANKRUPTCY JUDGE

HEARING re Expedited Motion for Order Approving Memoranda of
Understanding Among USW, Delphi and General Motors Corporation
Including Modification of USW Collective Bargaining Agreements
and Retiree Welfare Benefits for Certain USW-Represented
Retirees

Transcribed by: Lisa Bar-Leib

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BY: LOWELL PETERSON, ESQ.

1 P R O C E E D I N G S

2 THE COURT: Okay. Delphi Corporation.

3 MR. BUTLER: Your Honor, Jack Butler, Kayalyn
4 Marafioti and Jay Berke here on behalf of Delphi Corporation
5 for this specially scheduled hearing to consider the USW
6 approval order. Your Honor, today the sole item on the Delphi
7 agenda is the debtor's expedited motion seeking approval of
8 modifications to the USW collective bargaining agreements and
9 retiree welfare benefits for certain USW-represented retirees.
10 This is filed at docket number 9119.

11 Your Honor, I'm pleased to report that there have
12 been no objections filed to the relief being requested by the
13 debtors. Specifically, what is before the Court is a motion to
14 approve two separate memoranda of understanding among Delphi,
15 General Motors and the United Steel Paper and Forestry Rubber
16 Manufacturing Energy Allied Industrial and Service Workers
17 International Union and its local union 87L. This involves the
18 USW site at Home Avenue. There's a separate settlement
19 agreement for that and the USW site at Vandalia. Both
20 agreements include modifications to the USW's collective
21 bargaining agreements and relate to approximately 850 active
22 employees and 550 retirees of the USW.

23 Your Honor, this is the final installment of a series
24 of six separate motions, or actually, motions covering six
25 separate groups of settlements involving our six principal

1 labor unions. And at the conclusion of this hearing, if Your
2 Honor grants the relief the debtors are seeking, we will also
3 ask for additional relief to essentially terminate the pending
4 1113/1114 proceedings.

5 With respect to the evidentiary record here, we would
6 like to make that record briefly. There are eight exhibits
7 that we'd like to move into evidence. They include the
8 following: Exhibit 1 would be the USW Home Avenue settlement
9 agreement; Exhibit 2 is the USW Vandalia settlement agreement;
10 Exhibit 3 is the declaration of Kevin Butler; Exhibit 4 is the
11 declaration of Kent Lepret; Exhibit 5 is the informational
12 notice that was sent out to the individual union members;
13 Exhibit 6 is the notice of this particular motion; Exhibit 7 is
14 the affidavit of service; and finally Exhibit 8 is the
15 blacklined order which I'll address in a few minutes. Your
16 Honor I'd like to move admission of Exhibits 1 through 8 into
17 evidence.

18 THE COURT: Okay. Now, I understand that the
19 informational notice was the full notice that I previously
20 approved which is -- included a summary of the agreement
21 including the release provisions and the exculpation provisions
22 and then gave the union members the information they needed to
23 get more information and how to object if they wanted to,
24 right?

25 MR. BUTLER: That's correct, Your Honor.

1 THE COURT: Okay. All right. Does anyone have any
2 objection to the admission of those documents? Okay, they're
3 admitted.

4 (Debtors' Exhibits 1-8 were hereby received into evidence, as
5 of this date.)

6 MR. BUTLER: Your Honor, I'd now like, if I could
7 then, to present our two witnesses to the Court and ask them to
8 stand. Present in the courtroom today is Mr. Kevin M. Butler
9 who's the vice president of Human Resources Management at
10 Delphi Corporation and is known to the Court from prior
11 hearings. Not known to the Court is Mr. Kent G. Lepret, who is
12 the director of strategic planning at Delphi Corporation and
13 who are two declarants for today's hearing.

14 Your Honor, first with respect to Mr. Butler, I'd
15 like to present him for cross-examination with respect to
16 Exhibit number 3, his declaration.

17 THE COURT: Okay. I've read Mr. Butler's
18 declaration. Does anyone want to cross-examine him on it?
19 Okay. So I'll accept that as his testimony.

20 MR. BUTLER: Thank you, Your Honor. And with respect
21 to Mr. Lepret's declaration, which is Exhibit number 4, I'd
22 like to present Mr. Lepret for cross-examination.

23 THE COURT: Okay. Again, I've read Mr. Lepret's
24 declaration. Does anyone want to cross-examine on that? All
25 right. Then I will accept that declaration as well.

1 MR. BUTLER: Thank you. Your Honor, that would
2 constitute the evidentiary record for this hearing. I would
3 like to point out, in terms of Exhibit 8, the blacklined
4 changes. There was a deletion in paragraph 9(a) that
5 essentially makes 9(a), I would say, materially conformed with
6 the prior similar provisions in other approved orders. And
7 then there was a typographical error that was corrected in
8 paragraph 10.

9 I would like to --

10 THE COURT: That deletion doesn't change the
11 memoranda of understanding, the settlement agreements?

12 MR. BUTLER: That's correct, Your Honor. And in
13 fact, I want to state on the record that the release in
14 numbered paragraph 9(a) of the proposed form of order, which is
15 Exhibit 8, does not waive rights, if any, to vested pension
16 benefits, unemployment compensation benefits, future claims
17 arising out of the modified collective bargaining agreements
18 and pending ordinary course grievances of employees remaining
19 in the work force as such rights are preserved by Section F(4)
20 of the Home Avenue memorandum of understanding and Section F(3)
21 of the Vandalia memorandum of understanding.

22 THE COURT: Okay. All right. And I take it that
23 this form of order is acceptable to both the Steel Workers and
24 GM?

25 MR. BUTLER: Both are represented by counsel and I'd

1 ask them to indicate that on the record here today.

2 MR. PETERSON: Yes, Your Honor, particularly with the
3 representation Mr. Butler just made with respect to the release
4 provisions.

5 THE COURT: Okay.

6 MR. LEPRET: And it is acceptable to GM, Your Honor.

7 THE COURT: Okay.

8 MR. BUTLER: Your Honor, with the lack of opposition,
9 having reviewed this matter with our statutory committees and
10 with the support of both the union and General Motors, I would
11 like to submit this to the Court based on the papers before
12 you.

13 THE COURT: Okay. I had -- I only had one question
14 and I'm pretty sure I know the answer to this. These two
15 agreements refer in their headings to specific facilities but
16 they cover all the Steel Worker -- all the members of the union
17 that are employed by Delphi, correct?

18 MR. BUTLER: That's correct, Your Honor, they do.

19 THE COURT: Okay. And that's -- the emphasis is on
20 those two locations because that's where they were?

21 MR. BUTLER: That's correct, Your Honor.

22 THE COURT: All right. Okay. Does anyone want to
23 say anything in respect to the settlement?

24 MR. PETERSON: Just briefly, Your Honor. Your Honor
25 probably noted that there are certain provisions governing the

1 governance of the DVEBA (ph.) in the settlement documents.
2 That was simply an effort on the part of the parties to make
3 sure that the VIBA structure was compliant with Taft-Hartley.
4 The Steel Workers have a lot of experience with retiree medical
5 DVEBAs and we're confident that this structure as outlined is
6 in compliance with Section 302 of Taft-Hartley and can proceed
7 accordingly.

8 THE COURT: Okay. All right. I think the order is
9 clear on what that structure should be. All right. I will
10 approve the debtors' entry into and performance of these
11 agreements and also enter the order today which provides for
12 the parties to perform according to the agreement's terms. I
13 understand it's still being ratified by the union workers.
14 Probably that won't occur completely until sometime in early
15 September?

16 MR. BUTLER: That's right, Your Honor. As soon as
17 possible, but probably sometime next week.

18 THE COURT: All right. But I conclude that as a
19 settlement, these two agreements are in the best interest of
20 the debtors' estate and fair and reasonable among other reasons
21 because they were the subject of arms length and, in fact, I'm
22 sure intense negotiation and well reflect the respective legal
23 positions of both sides as well as the business realities faced
24 by both sides. So I have no problem at all finding that these
25 settlements are fair.

1 And in addition, to the extent that these are actions
2 out of the ordinary course, which they clearly are, they're
3 significant steps in the Chapter 11 case. I find that they're
4 clearly supported by good business reasons and do so for the
5 reasons set forth in the motion as well as the two
6 declarations.

7 So this, as I see it, unless something very untoward
8 happens, should resolve the labor issues that Delphi has faced.
9 And that's a major accomplishment by both Delphi and the
10 respective unions as well as GM to the extent that GM was
11 involved in this process and it was very much involved. And
12 also, to the extent that the official committees and the
13 prospective plan sponsor was involved. So, obviously, this is
14 a very significant accomplishment when viewed in the context of
15 everything else that has taken place in regard to the labor
16 issues that have been teed up at the very beginning of the case
17 and have been hanging over the case until now.

18 MR. BUTLER: Your Honor, thank you. We will be
19 submitting separately to chambers today for Your Honor's
20 review, if it's acceptable to the Court, an order that will
21 withdraw without prejudice the balance of the 1113/1114
22 proceeding. That will resolve those proceedings subject to the
23 settlement orders that have been entered by the Court including
24 the USW order but would complete those proceedings which, as
25 Your Honor recalls, began back in March 31st of 2006 when the

1 debtors filed initially the 1113 and 1114 motion. And that
2 will complete the labor phase of these Chapter 11 cases as
3 contemplated presently by Delphi and all of its principal
4 stakeholders.

5 Your Honor will also recall on March 31st of 2006
6 there was a companion motion filed addressing a request to
7 terminate a series of General Motors contracts with the company
8 which has also been -- those proceedings have also been
9 suspended by other orders of the Court. We earlier announced
10 to the Court where we have been involved in those settlement
11 discussions with General Motors and I would tell the Court that
12 I believe that we are completing the documentation phase now of
13 those discussions and would expect, I would hope, to be in a
14 position in the very near future to be able to provide more
15 definitive information to the Court regarding the comprehensive
16 settlements with General Motors.

17 So I think we're moving along the time frames that we
18 have been discussing with the Court more generally and the
19 company continues with its mission of filing a disclosure
20 statement, a plan of reorganization by the end of the third
21 quarter and seeking to emerge from Chapter 11 by the end of
22 2007. So we certainly appreciate the Court's involvement in
23 this and the series of chambers conferences with the parties.
24 And we express our appreciation obviously to the USW and
25 General Motors and others who played an important role in these

1 negotiations.

2 THE COURT: Okay. Very well. So that order, again,
3 will get entered today.

4 MR. BUTLER: Thank you, Your Honor.

5 MR. BERKE: Thank you, Your Honor.

6 (Whereupon these proceedings were concluded at 10:18
7 a.m.)

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I N D E X

E X H I B I T S

| DELPHI'S | DESCRIPTION | ID. | EVID. |
|----------|--|-----|-------|
| 1 | USW Home Avenue settlement agreement | | 6 |
| 2 | USW Vandalia settlement agreement | | 6 |
| 3 | Declaration of Kevin Butler | | 6 |
| 4 | Declaration of Kent Lepret | | 6 |
| 5 | Informational notice sent out to individual union members | | 6 |
| 6 | Notice of debtors' motion at today's hearing | | 6 |
| 7 | Affidavit of service | | 6 |
| 8 | Blacklined order | | 6 |

R U L I N G

| DESCRIPTION | PAGE | LINE |
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| Debtors' entry into and performance of settlement agreements approved | 9 | 10 |

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C E R T I F I C A T I O N

I Lisa Bar-Leib, court-approved transcriber, certify that the foregoing is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter.

August 31, 2007

Signature of Transcriber

Date

Lisa Bar-Leib

typed or printed name